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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

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RELEASED

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MAR 31 1970

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Dear Senator Spong.

As requested in your letter to the Assistant Comptroller General dated January 29, 1970, we are enclosing our comments on our examination into certain statements made in an article from The Virginia Observer dated May 30, 1969, concerning Mr. Lawrence M. Cox, Assistant Secretary, Department of Housing and Urban Development. These statements questioned certain expenses for travel and entertainment incurred by Mr. Cox while he was Executive Director of the Norfolk Redevelopment and Housing Authority (NRHA), Norfolk, Virginia, and the use of NRHA labor, equipment, and materials to construct Mr. Cox's summer home and NRHA labor to remodel his apartment. Our examination was limited to those areas which could have involved the use of Federal funds.

We provided Mr. Cox with the opportunity to comment on a draft of this report. His comments are included as an appendix to the enclosure.

We are sending a similar report to another member of the Congress in response to his letter regarding this matter.

Sincerely yours,

Assistant Comptroller General  
of the United States

Enclosure

The Honorable William B. Spong, Jr.  
United States Senate

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GENERAL ACCOUNTING OFFICE  
EXAMINATION INTO STATEMENTS RELATING  
TO THE FORMER EXECUTIVE DIRECTOR OF THE  
NORFOLK REDEVELOPMENT AND HOUSING AUTHORITY  
NORFOLK, VIRGINIA

The General Accounting Office has examined into certain statements made in an article of The Virginia Observer--a Norfolk, Virginia, newspaper--dated May 30, 1969, concerning Mr. Lawrence M. Cox, Assistant Secretary, Department of Housing and Urban Development (HUD). These statements questioned certain expenses for travel and entertainment incurred by Mr. Cox while he was Executive Director of the Norfolk Redevelopment and Housing Authority (NRHA) and the use of NRHA labor, equipment, and materials to construct his summer home and NRHA labor to remodel his apartment. We limited our examination to those areas which could have involved the use of Federal funds. Our comments follow.

TRAVEL AND ENTERTAINMENT EXPENSES

The newspaper article stated that NRHA had reimbursed Mr. Cox for

1. Travel and entertainment expenses that he had incurred while serving as a consultant on a private project--"Downtown Progress"-- in Washington, D.C.
2. Non-business-related expenses incurred on trips to Phoenix, Arizona, San Francisco, California, and Miami, Florida, during April, May, and June 1968, respectively.
3. The cost of meals that he had paid for a consultant to the city of Norfolk, officials of The Virginian Pilot--a Norfolk newspaper--and others

To identify any misuse of Federal funds which may have been involved in these transactions, we examined into NRHA's procedures for accounting for travel and entertainment expenses and into the questioned payments. In addition, we examined into all other payments to Mr. Cox for travel and entertainment expenses from February 1968 to April 1969--the period covering the specific dates mentioned in the newspaper article.

NRHA was responsible for operating 14 housing projects, eight urban renewal projects, and one neighborhood development project. All the projects were federally aided, except three housing projects which were wholly owned by NRHA. Separate accounting records were maintained for each project.

NRHA has a revolving fund and a working fund. Costs and expenses are generally financed and processed through the revolving fund when they are considered applicable to all projects and through the working

fund when they are considered applicable only to the three wholly owned NRHA projects. Periodically, the funds are replenished and the expenses are prorated to the accounts of the various projects. Expenses that have been financed from the working fund are prorated solely to the NRHA wholly owned projects, and expenses financed from the revolving fund are generally prorated to all projects.

The NRHA Controller informed us that for about 15 years it had been the practice of NRHA to charge all the Executive Director's travel and entertainment expenses to NRHA wholly owned projects. He informed us further that these expenses, except for the cost of airline tickets, had been paid from the working fund. We traced all the payments of these expenses incurred by Mr. Cox during the period February 1968 to April 1969 to the individual accounts of the projects. We found that Mr. Cox's entertainment and travel expenses, except for the cost of airline tickets, had been financed exclusively from the working fund and charged to the three NRHA wholly owned projects and therefore had not involved Federal funds.

The NRHA practice is to finance the Executive Director's airline tickets from either the revolving fund or the working fund but to charge the costs solely to the NRHA wholly owned projects. We traced all the payments for Mr. Cox's airline tickets made during the period February 1968 to April 1969 to the individual accounts of the projects. We found that, with one minor exception, the cost of Mr. Cox's airline tickets had been charged to the three NRHA wholly owned projects.

The exception involved the cost of airline travel in the amount of \$44 that Mr. Cox had incurred to attend a meeting with HUD officials. This expense was financed from the revolving fund and subsequently prorated to all the NRHA projects. We brought this matter to the attention of a responsible official who told us that the \$44 had been charged to all the projects, rather than exclusively to the NRHA wholly owned projects, because of an accounting error.

Therefore, except for \$44, all of Mr. Cox's entertainment and travel expenses were charged to the three NRHA wholly owned projects and, as a result, did not involve Federal funds.

#### LABOR, MATERIAL AND EQUIPMENT

The newspaper article stated that NRHA employees, equipment, and materials had been used in the construction of Mr. Cox's summer home and that NRHA employees had been used in the remodeling of his apartment. We examined into this matter, since the use of NRHA employees, equipment, and material could indirectly involve Federal funds.

As stated previously, NRHA operates 11 housing projects, eight urban renewal projects, and one neighborhood development project, which are federally aided. The Federal aid is provided by HUD, and in fiscal year

1969 such aid amounted to a total of about \$1.8 million for the 20 projects. Within various limitations, the amount of Federal aid is determined, in essence, by the amount that the cost of each project exceeds project revenues, and therefore any increase in a project's costs would result in an increase in the Federal contribution.

Due to the nature of the activities and of the relationships between the parties involved, there was an absence of independent sources of data, such as are generally available to us in our regular examinations. Therefore, by necessity, a large part of the data that we obtained during our examination was obtained through discussions with parties involved in the activities and through examination of those records that they made available to us.

Information obtained regarding the  
use of NRHA employees to construct  
a house at Cedar Point, Virginia

During our review we contacted every person known to us who might have had information regarding the use of NRHA employees to construct the house owned by Mr. Cox in an area known as Cedar Point in Nansemond County, Virginia, which was referred to in the newspaper article as Mr. Cox's "summer home." Of the 29 persons we contacted, only one--a former employee of NRHA--informed us that he believed that Mr. Cox's house at Cedar Point had been constructed by NRHA employees.

The former employee stated that he had never worked at Cedar Point and that his belief was based on the absence of certain employees for several days at a time and on an offer of weekend employment, which was subsequently canceled, that he had received from his NRHA supervisor. He said that he thought that the absent employees were working on Mr. Cox's house and that, although the supervisor had not said so, the weekend employment he was offered was for the purpose of installing roofing on Mr. Cox's house. The former employee stated also that he had visited Cedar Point on Saturday, February 22, 1969, and had seen men working on the house. He said, however, that he was too far away to identify the men. He stated also that he could not substantiate the information that he was giving us.

Although no NRHA employees informed us that they had helped construct the house at Cedar Point, nine informed us that they had worked at the summer home after the construction apparently had been completed. Information obtained during discussions with these employees indicated that the employees were involved in site clearing, landscaping, and constructing a slate patio. The men told us that they had worked at Cedar Point only on their own time and that they had been paid in cash by either the NRHA Chief Maintenance Engineer or another NRHA employee who was foreman for the work done at Cedar Point for each day that they had worked. The NRHA Chief Maintenance Engineer and the NRHA foreman stated that they had received funds from a representative for a land development company for the total amount of work done and that they had paid the other men in cash.

We discussed supervisory control over NRHA employees with three NRHA supervisors who were responsible for certifying the time and attendance records of six of the employees who had worked at Cedar Point. All three supervisors informed us that they had not worked at Cedar Point at any time and that they had maintained close supervision over the six employees and therefore knew that they had not worked at Cedar Point during their NRHA working hours.

We found that the land development company referred to by the NRHA employees did not maintain offices in Norfolk but was represented by an agent. The agent informed us that the company, a corporation, had two houses built on land that it owned at Cedar Point and that Mr. Cox had purchased one of the two houses on August 1, 1969. We subsequently verified that the deed transferring the property to Mr. Cox was dated August 1, 1969.

The agent informed us that both the houses constructed for the corporation had been built by a local builder. He said that the house purchased by Mr. Cox originally had been intended as a guest house for the use of potential purchasers of land from the corporation but that it was subsequently put up for sale. He informed us that Mr. Cox had first expressed an interest in purchasing the house about a month prior to its sale on August 1, 1969.

The agent informed us also that the corporation had no permanent employees and that he therefore hired workers as needed. He said that he paid for the work and was subsequently reimbursed by the corporation. The agent stated that, among others, he had on occasion hired on a temporary basis men who he understood were off-duty employees of NRHA. He said that he could identify only two of the individuals that he had hired--the NRHA Chief Maintenance Engineer, whom he contacted when he needed workers, and another NRHA employee in the NRHA Central Maintenance Department. The agent confirmed that he had paid either one or the other of these two men for the total amount of work done each time at Cedar Point and that they paid the other men.

The agent informed us that he had met the Chief Maintenance Engineer through Mr. Cox whom we found to be an officer of the corporation represented by the agent. Annual reports filed by the corporation with the State of Virginia in 1968 and 1969 showed Mr. Cox to be the Vice President-Treasurer and a director of the corporation.

The agent informed us that, during February and March of 1969--before the house was purchased by Mr. Cox--the agent had hired several men who, he understood, were employed by NRHA during the week, to work on weekends at the site of the house subsequently purchased by Mr. Cox. He said that these men had cleared brush and performed some landscaping. He stated that they had not participated in construction of the house. The agent showed us an informal record, which he said related to this work, that showed that from five to seven men had been paid on five consecutive Saturdays between February 15 and March 15, 1969. According to the record, a total of \$644.44 was paid for the work.

The Chief Maintenance Engineer confirmed that the agent for the corporation had contacted him when temporary workers were needed. He said that he had conveyed the requests to NRHA employees through another NRHA employee and that the other employee selected the men to work from those men who said they wanted to work.

The engineer stated that the work at Cedar Point generally consisted of clearing the land and landscaping. He stated that neither he nor the other NRHA employees had participated in the construction of the house now owned by Mr. Cox.

The nine NRHA employees who told us that they had worked at Cedar Point confirmed that they had worked there during the period covered by the agent's records and that the work had consisted generally of constructing a patio, clearing brush, and landscaping. We reviewed the NRHA payroll records and found that the nine men had not been paid by NRHA for the Saturdays on which the agent's records showed that he had hired and paid for NRHA employees to work at Cedar Point.

In a further effort to determine whether NRHA labor might have been used in constructing Mr. Cox's home, we interviewed the contractor who constructed the house. The contractor informed us that no NRHA employees had been used to construct the house. In addition, he made his records available to us, and we found that he had incurred labor costs. Also, we found no evidence that NRHA employees had been used.

Information obtained regarding the use  
of NRHA employees prior to construction  
of the house at Cedar Point

Although only one of the 29 individuals that we contacted informed us of his belief that NRHA employees had been used to construct Mr. Cox's house, another individual, also a former NRHA employee, informed us that NRHA employees had been improperly used for other purposes at Cedar Point. Although he said that he had not worked at Cedar Point, he informed us that NRHA employees had worked there in 1967, 1968, and 1969. He said that he could not recall specifically when various types of work had been performed, however, he stated that some of the work had been done on weekdays during NRHA working hours and that the NRHA employees usually had been supervised by NRHA supervisors. He stated also that much of the work had been performed prior to the construction of Mr. Cox's house.

The former employee informed us that he had accompanied the NRHA Chief Maintenance Engineer on trips to Cedar Point on weekdays during normal NRHA working hours on at least 15 occasions. He said that sometimes NRHA employees had been working at Cedar Point while he was there.

The former employee said that he did not know whether the employees had been paid by NRHA for all the time they worked at Cedar Point. He said that many NRHA employees frequently worked for NRHA at night and on

weekends and other days off for which work they received compensatory time rather than overtime pay. He stated, however, that the amount of time the NRHA employees worked at Cedar Point while being paid by NRHA was significant.

Much of the information provided by the former employee concerned the Chief Maintenance Engineer. He stated that the engineer served as consultant and/or supervised the (1) erection of a chain link fence, (2) drilling of a well, (3) layout of the Cedar Point road system, and (4) clearing of the land, including preparation of the site for Mr. Cox's house.

The former employee informed us that he did not have any records or other documents that would substantiate the information that he was giving us.

The NRHA Chief Maintenance Engineer confirmed that he and other NRHA employees had worked at Cedar Point for the corporation for a number of years. He stated that neither he nor, as far as he knew, any other NRHA employee had worked at Cedar Point at any time while being paid by NRHA. He advised us that, with the exception of some trips that he had made to Cedar Point, the work was always performed either on weekends or during weekday evenings. The engineer stated that the work at Cedar Point generally consisted of clearing the land and landscaping.

In regard to the trips that he had made to Cedar Point on weekdays, the engineer stated that he had made about 15 such trips over a 3-year period and that he was either on annual leave or on compensatory time from NRHA when he made the trips. He said that he had made the trips to check on the progress being made at the development. He said that he had been alone on these occasions, however, he said that he and a former NRHA employee (the employee referred to on p. 5) had played golf at Cedar Point several times on weekdays and on weekends. He said that both he and the former employee had been either on annual leave or on compensatory time from NRHA on these occasions. He could not provide us with the specific dates that he had made the trips to Cedar Point.

The engineer stated that he had not served as consultant and/or supervised the (1) erection of a chain link fence, (2) drilling of a well, and (3) layout of the Cedar Point road system. He confirmed that, in the absence of the agent for the corporation, he had on occasion supervised clearing and landscaping at Cedar Point. He said that when he had done so he had been paid by the agent for the corporation and not by NRHA.

The engineer informed us that he did not have any records or other documents that would substantiate the information that he was giving us.

In addition to the engineer, eight other NRHA employees informed us that they had performed work at Cedar Point prior to the work done in early calendar year 1969. All of these men told us that this work had been done on their own time.

The agent showed us informal records indicating that, prior to calendar year 1969, he had hired NRHA employees on two occasions in 1968 and on four occasions in 1967 and had paid a total of about \$540 for this work. The informal records of the agent did not generally show the names of the men.

All the dates furnished us by the agent, with the exception of one in 1967, were Saturdays. For this 1967 date, the agent's informal records did not show the names of the men who had worked and the agent informed us that he could not recall any of their names. We interviewed one NRHA employee who stated that he may have worked on that date while he was on vacation. The NRHA records showed that this employee was on annual leave on the 1967 date in question. He identified one other NRHA employee who, he believed, had worked with him. The other NRHA employee stated that he did not recall working at Cedar Point on that date.

Consequently, we again contacted the first employee who advised us that he had been mistaken about the employee named previously and identified a different employee as having worked with him. This employee also informed us that he could not recall working at Cedar Point on that day. The NRHA records showed that one of the two NRHA employees identified had been on annual leave on the 1967 date in question but that the other employee had not.

Information obtained regarding the use of NRHA equipment to construct the house at Cedar Point

Two former NRHA employees whom we contacted regarding the work at Cedar Point informed us that NRHA-owned small tools and vehicles had been used there. One of the former employees said that the small tools consisted of such tools as shovels, rakes, and hoes. He said that the NRHA vehicles that he had seen at Cedar Point had been the automobiles assigned to Mr. Cox and another NRHA official. He said that he had not seen any construction equipment at Cedar Point and that he had no knowledge that such equipment was used.

The agent of the corporation informed us that he had no knowledge of NRHA tools or vehicles being used at Cedar Point. The NRHA Chief Maintenance Engineer, however, confirmed that NRHA-owned small tools had been used at Cedar Point and that NRHA-owned automobiles had been at Cedar Point. The engineer said that he was the person within NRHA responsible for tools and that, although he had not specifically authorized the use of the tools at Cedar Point, he was aware of their being used. The engineer stated that one of the NRHA employees supervising the off-duty NRHA employees working at Cedar Point had carried these tools to the site and had returned them to NRHA. He said that no other NRHA equipment had been used at Cedar Point.

The engineer said that no NRHA-owned vehicles had been used to perform work at Cedar Point. He stated that Mr. Cox had been assigned an

NRHA-owned automobile for his use and that Mr. Cox had driven this automobile to Cedar Point on many occasions. The engineer said also that he had driven the NRHA automobile assigned to him to Cedar Point prior to 1964 but that he had not taken it to Cedar Point after that time. We verified that a NRHA-owned vehicle had been specifically assigned to Mr. Cox

Several of the NRHA employees who had worked at Cedar Point also told us that NRHA-owned small tools, such as shovels and rakes, had been used at Cedar Point. They all said, however, that they had no knowledge of NRHA-owned equipment and vehicles being used to perform work at Cedar Point.

Information obtained regarding the  
use of NRHA materials to construct  
the house at Cedar Point

The agent of the corporation informed us that the contractor that constructed the house had purchased the materials and that he did not know of any materials that had been obtained from NRHA that were used in the construction of the house owned by Mr. Cox. He said, however, that he had purchased some slate from NRHA that had been used to build a patio at the house. He stated also that he had not obtained any other materials from NRHA.

The NRHA Chief Maintenance Engineer confirmed that some NRHA slate had been sold to the corporation. He said that the slate had been salvaged from one of the NRHA demolition projects and was excess to NRHA needs. He said that, prior to this sale, salvaged slate had been given away or used as land fill. He stated that he had determined the amount that the corporation was charged for the slate on the basis of the average of quoted prices obtained from several slate companies.

The engineer informed us that the slate was the only material used at the site of Mr. Cox's house that had been obtained from NRHA. He said that he had arranged for some salvaged cobblestones to be taken to the site of the house but that he had returned them to NRHA when the planned use of the cobblestones became an issue in a Norfolk newspaper. He stated that the corporation would have paid for the cobblestones if they had been used.

The various other persons we contacted relative to the work at Cedar Point knew of no other material obtained from NRHA that had been used in the construction of the house owned by Mr. Cox or elsewhere at Cedar Point.

The contractor that constructed the house informed us that he had not obtained any materials from NRHA. His records showed that he had incurred costs for materials and did not show that materials had been obtained from NRHA. In addition, we examined the contractor's records for the types of material used in the construction of the house, which we had noted were

stocked by NRHA. The records substantiated that the contractor had purchased the items from commercial sources.

The NRHA accounting records showed the receipt of \$150 from the agent for the corporation for the slate. In addition, the NRHA Controller provided us with a reproduction of the agent's check for \$150. We noted that NRHA had billed the agent for the slate on April 11, 1969, approximately a month after the patio was installed.

The NRHA Controller said that salvaged material from demolished projects is considered surplus and is not carried on NRHA records. He indicated that the aforementioned salvaged slate and cobblestones were of this nature and had not been picked up on NRHA inventory records. He said that the NRHA Chief Maintenance Engineer was authorized to dispose of such surplus material from demolished projects.

Information obtained relative to  
the apartment at Haque Towers

The newspaper article stated that Mr. Cox had compelled

"NRHA workers to remodel his penthouse apartment at the Haque Tower (when he moved, Cox had NRHA Maintenance Superintendent [name deleted] to substantiate the value of the improvements for resale to the new tenant)."

The individual referred to as the Maintenance Superintendent in the article was the NRHA Chief Maintenance Engineer.

With the exception of one person, whom we could not locate, we contacted every person known to us who might have information regarding the use of NRHA employees to remodel Mr. Cox's apartment. Only one of these individuals indicated that NRHA employees might have remodeled the apartment on NRHA time. He said that he had no firsthand knowledge of the matter but that he had heard that some NRHA employees had worked on Mr. Cox's apartment during time that they were being paid by NRHA and that NRHA equipment had been used in the remodeling. He informed us, however, that he could not substantiate the information that he was giving us and that he did not know anyone who could provide us with information regarding this matter.

The NRHA Chief Maintenance Engineer informed us that NRHA employees had not remodeled Mr. Cox's apartment. He said that Mr. Cox had hired an interior decorating company to advise and assist him in remodeling his apartment. He stated that the apartment had been painted in connection with the remodeling and that Mr. Cox had hired an NRHA employee to paint the apartment during his off-duty hours. The engineer said that the individual who had painted the apartment was no longer employed at NRHA.

One other NRHA employee confirmed that a former NRHA employee had done some painting at Mr. Cox's apartment. He said that the former

employee had told him the painting had been done on his own time. He said also that the individual involved often had done such work on his own time. He added that he had worked with the former employee doing painting work after regular NRHA working hours but that he had not helped to paint Mr. Cox's apartment.

We were informed that the individual who had painted Mr. Cox's apartment had moved from the Norfolk area and that his present location was unknown.

In regard to the statement in the newspaper article that he had substantiated the value of improvements in Mr. Cox's apartment, the NRHA Chief Maintenance Engineer informed us that the article was apparently referring to a cabinet-type room divider. He said that Mr. Cox had a private contractor build a room divider for his apartment in connection with the remodeling. He said that, when Mr. Cox considered selling the room divider to a prospective tenant of the apartment, Mr. Cox had asked him to inform the prospective tenant of its cost. The engineer stated that he had knowledge of the cost of the room divider because of discussions with Mr. Cox and not because he had participated in its construction.

The engineer informed us that he had not substantiated for prospective tenants the cost of any other improvements in Mr. Cox's apartment.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D C 20410

OFFICE OF THE ASSISTANT SECRETARY  
FOR RENEWAL AND HOUSING ASSISTANCE

February 18, 1970

IN REPLY REFER TO

Mr. Max Hirschhorn  
Associate Director  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Hirschhorn:

Thank you for your letter of February 6 inviting my comment on the draft report of your investigation into certain statements relating to my activities as Executive Director of the Norfolk Redevelopment and Housing Authority prior to my appointment as Assistant Secretary with the Department of Housing and Urban Development. As you have requested, the following comments are entirely personal and do not in any way represent the views of the Department.

I am pleased to have this opportunity to comment, for I believe the Report clearly and conclusively confirms the fact that there has been no misuse of Federal funds and no impropriety in the use of labor, equipment or materials owned by the Norfolk Redevelopment and Housing Authority.

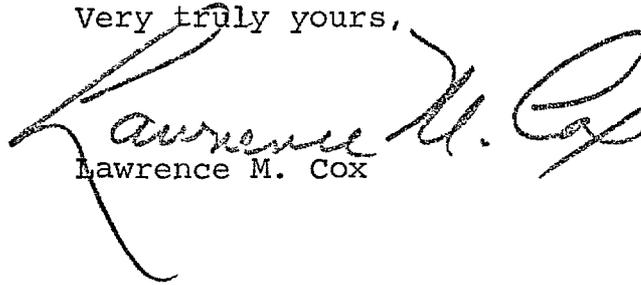
As the Report indicates, a large number of responsible individuals having first-hand knowledge in the matter were interviewed. All but two denied the allegations, and provided ample supporting evidence and documentation to support their assertions. Whereas the two unnamed individuals who were former employees and who made certain allegations were unable to substantiate their assertions, and even appeared unable to attest to first-hand knowledge concerning their allegations.

But as the statements of all the other individuals verify and as the available records support, the employees of NRHA who worked at Cedar Point did so of their own free will, on their own time, and were paid by the developer and not by NRHA.

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In summary, the Report reflects that a thorough and accurate investigation has been made of the reported allegations, and fully confirms my personal earnest conviction that the allegations are untrue and without foundation.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Lawrence M. Cox". The signature is written in dark ink and is positioned above the typed name. The signature is somewhat stylized, with a large initial 'L' and a long, sweeping underline that extends to the right.

Lawrence M. Cox



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MAR 31 1970

Dear Senator Metcalf

Reference is made to your letter dated June 19, 1969, requesting our comments on certain statements made in an article from The Virginia Observer dated May 30, 1969, concerning Mr. Lawrence M. Cox, Assistant Secretary, Department of Housing and Urban Development, and your letter of January 20, 1970, enclosing further information for the use of our Office in connection with the investigation of this matter. The statements contained in The Virginia Observer article of May 30, 1969, questioned certain expenses for travel and entertainment incurred by Mr. Cox while he was Executive Director of the Norfolk Redevelopment and Housing Authority (NRHA), Norfolk, Virginia, and the use of NRHA labor, equipment, and materials to construct Mr. Cox's summer home and NRHA labor to remodel his apartment.

Our comments on our examination into statements relating to Mr. Cox are enclosed. As agreed with your Executive Secretary, we provided Mr. Cox with the opportunity to comment on a draft of this report. His comments are included as an appendix to the enclosure. Also, we limited our examination to those areas which could have involved the use of Federal funds.

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Sincerely yours,

**Assistant** Comptroller General  
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Enclosure

The Honorable Lee Metcalf  
United States Senate

GENERAL ACCOUNTING OFFICE  
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TO THE FORMER EXECUTIVE DIRECTOR OF THE  
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Due to the nature of the activities and of the relationships between the parties involved, there was an absence of independent sources of data, such as are generally available to us in our regular examinations. Therefore, by necessity, a large part of the data that we obtained during our examination was obtained through discussions with parties involved in the activities and through examination of those records that they made available to us.

Information obtained regarding the  
use of NRHA employees to construct  
a house at Cedar Point, Virginia

During our review we contacted every person known to us who might have had information regarding the use of NRHA employees to construct the house owned by Mr. Cox in an area known as Cedar Point in Nansemond County, Virginia, which was referred to in the newspaper article as Mr. Cox's "summer home." Of the 29 persons we contacted, only one--a former employee of NRHA--informed us that he believed that Mr. Cox's house at Cedar Point had been constructed by NRHA employees.

The former employee stated that he had never worked at Cedar Point and that his belief was based on the absence of certain employees for several days at a time and on an offer of weekend employment, which was subsequently canceled, that he had received from his NRHA supervisor. He said that he thought that the absent employees were working on Mr. Cox's house and that, although the supervisor had not said so, the weekend employment he was offered was for the purpose of installing roofing on Mr. Cox's house. The former employee stated also that he had visited Cedar Point on Saturday, February 22, 1969, and had seen men working on the house. He said, however, that he was too far away to identify the men. He stated also that he could not substantiate the information that he was giving us.

Although no NRHA employees informed us that they had helped construct the house at Cedar Point, nine informed us that they had worked at the summer home after the construction apparently had been completed. Information obtained during discussions with these employees indicated that the employees were involved in site clearing, landscaping, and constructing a slate patio. The men told us that they had worked at Cedar Point only on their own time and that they had been paid in cash by either the NRHA Chief Maintenance Engineer or another NRHA employee who was foreman for the work done at Cedar Point for each day that they had worked. The NRHA Chief Maintenance Engineer and the NRHA foreman stated that they had received funds from a representative for a land development company for the total amount of work done and that they had paid the other men in cash.

We discussed supervisory control over NRHA employees with three NRHA supervisors who were responsible for certifying the time and attendance records of six of the employees who had worked at Cedar Point. All three supervisors informed us that they had not worked at Cedar Point at any time and that they had maintained close supervision over the six employees and therefore knew that they had not worked at Cedar Point during their NRHA working hours.

We found that the land development company referred to by the NRHA employees did not maintain offices in Norfolk but was represented by an agent. The agent informed us that the company, a corporation, had two houses built on land that it owned at Cedar Point and that Mr. Cox had purchased one of the two houses on August 1, 1969. We subsequently verified that the deed transferring the property to Mr. Cox was dated August 1, 1969.

The agent informed us that both the houses constructed for the corporation had been built by a local builder. He said that the house purchased by Mr. Cox originally had been intended as a guest house for the use of potential purchasers of land from the corporation but that it was subsequently put up for sale. He informed us that Mr. Cox had first expressed an interest in purchasing the house about a month prior to its sale on August 1, 1969.

The agent informed us also that the corporation had no permanent employees and that he therefore hired workers as needed. He said that he paid for the work and was subsequently reimbursed by the corporation. The agent stated that, among others, he had on occasion hired on a temporary basis men who he understood were off-duty employees of NRHA. He said that he could identify only two of the individuals that he had hired--the NRHA Chief Maintenance Engineer, whom he contacted when he needed workers, and another NRHA employee in the NRHA Central Maintenance Department. The agent confirmed that he had paid either one or the other of these two men for the total amount of work done each time at Cedar Point and that they paid the other men.

The agent informed us that he had met the Chief Maintenance Engineer through Mr. Cox whom we found to be an officer of the corporation represented by the agent. Annual reports filed by the corporation with the State of Virginia in 1968 and 1969 showed Mr. Cox to be the Vice President-Treasurer and a director of the corporation.

The agent informed us that, during February and March of 1969--before the house was purchased by Mr. Cox--the agent had hired several men who, he understood, were employed by NRHA during the week, to work on weekends at the site of the house subsequently purchased by Mr. Cox. He said that these men had cleared brush and performed some landscaping. He stated that they had not participated in construction of the house. The agent showed us an informal record, which he said related to this work, that showed that from five to seven men had been paid on five consecutive Saturdays between February 15 and March 15, 1969. According to the record, a total of \$644.44 was paid for the work.

The Chief Maintenance Engineer confirmed that the agent for the corporation had contacted him when temporary workers were needed. He said that he had conveyed the requests to NRHA employees through another NRHA employee and that the other employee selected the men to work from those men who said they wanted to work.

The engineer stated that the work at Cedar Point generally consisted of clearing the land and landscaping. He stated that neither he nor the other NRHA employees had participated in the construction of the house now owned by Mr. Cox.

The nine NRHA employees who told us that they had worked at Cedar Point confirmed that they had worked there during the period covered by the agent's records and that the work had consisted generally of constructing a patio, clearing brush, and landscaping. We reviewed the NRHA payroll records and found that the nine men had not been paid by NRHA for the Saturdays on which the agent's records showed that he had hired and paid for NRHA employees to work at Cedar Point.

In a further effort to determine whether NRHA labor might have been used in constructing Mr. Cox's home, we interviewed the contractor who constructed the house. The contractor informed us that no NRHA employees had been used to construct the house. In addition, he made his records available to us, and we found that he had incurred labor costs. Also, we found no evidence that NRHA employees had been used.

Information obtained regarding the use  
of NRHA employees prior to construction  
of the house at Cedar Point

Although only one of the 29 individuals that we contacted informed us of his belief that NRHA employees had been used to construct Mr. Cox's house, another individual, also a former NRHA employee, informed us that NRHA employees had been improperly used for other purposes at Cedar Point. Although he said that he had not worked at Cedar Point, he informed us that NRHA employees had worked there in 1967, 1968, and 1969. He said that he could not recall specifically when various types of work had been performed, however, he stated that some of the work had been done on weekdays during NRHA working hours and that the NRHA employees usually had been supervised by NRHA supervisors. He stated also that much of the work had been performed prior to the construction of Mr. Cox's house.

The former employee informed us that he had accompanied the NRHA Chief Maintenance Engineer on trips to Cedar Point on weekdays during normal NRHA working hours on at least 15 occasions. He said that sometimes NRHA employees had been working at Cedar Point while he was there.

The former employee said that he did not know whether the employees had been paid by NRHA for all the time they worked at Cedar Point. He said that many NRHA employees frequently worked for NRHA at night and on

weekends and other days off for which work they received compensatory time rather than overtime pay. He stated, however, that the amount of time the NRHA employees worked at Cedar Point while being paid by NRHA was significant.

Much of the information provided by the former employee concerned the Chief Maintenance Engineer. He stated that the engineer served as consultant and/or supervised the (1) erection of a chain link fence, (2) drilling of a well, (3) layout of the Cedar Point road system, and (4) clearing of the land, including preparation of the site for Mr. Cox's house.

The former employee informed us that he did not have any records or other documents that would substantiate the information that he was giving us.

The NRHA Chief Maintenance Engineer confirmed that he and other NRHA employees had worked at Cedar Point for the corporation for a number of years. He stated that neither he nor, as far as he knew, any other NRHA employee had worked at Cedar Point at any time while being paid by NRHA. He advised us that, with the exception of some trips that he had made to Cedar Point, the work was always performed either on weekends or during weekday evenings. The engineer stated that the work at Cedar Point generally consisted of clearing the land and landscaping.

In regard to the trips that he had made to Cedar Point on weekdays, the engineer stated that he had made about 15 such trips over a 3-year period and that he was either on annual leave or on compensatory time from NRHA when he made the trips. He said that he had made the trips to check on the progress being made at the development. He said that he had been alone on these occasions, however, he said that he and a former NRHA employee (the employee referred to on p. 5) had played golf at Cedar Point several times on weekdays and on weekends. He said that both he and the former employee had been either on annual leave or on compensatory time from NRHA on these occasions. He could not provide us with the specific dates that he had made the trips to Cedar Point.

The engineer stated that he had not served as consultant and/or supervised the (1) erection of a chain link fence, (2) drilling of a well, and (3) layout of the Cedar Point road system. He confirmed that, in the absence of the agent for the corporation, he had on occasion supervised clearing and landscaping at Cedar Point. He said that when he had done so he had been paid by the agent for the corporation and not by NRHA.

The engineer informed us that he did not have any records or other documents that would substantiate the information that he was giving us.

In addition to the engineer, eight other NRHA employees informed us that they had performed work at Cedar Point prior to the work done in early calendar year 1969. All of these men told us that this work had been done on their own time.

The agent showed us informal records indicating that, prior to calendar year 1969, he had hired NRHA employees on two occasions in 1968 and on four occasions in 1967 and had paid a total of about \$540 for this work. The informal records of the agent did not generally show the names of the men.

All the dates furnished us by the agent, with the exception of one in 1967, were Saturdays. For this 1967 date, the agent's informal records did not show the names of the men who had worked and the agent informed us that he could not recall any of their names. We interviewed one NRHA employee who stated that he may have worked on that date while he was on vacation. The NRHA records showed that this employee was on annual leave on the 1967 date in question. He identified one other NRHA employee who, he believed, had worked with him. The other NRHA employee stated that he did not recall working at Cedar Point on that date.

Consequently, we again contacted the first employee who advised us that he had been mistaken about the employee named previously and identified a different employee as having worked with him. This employee also informed us that he could not recall working at Cedar Point on that day. The NRHA records showed that one of the two NRHA employees identified had been on annual leave on the 1967 date in question but that the other employee had not.

Information obtained regarding the use of NRHA equipment to construct the house at Cedar Point

Two former NRHA employees whom we contacted regarding the work at Cedar Point informed us that NRHA-owned small tools and vehicles had been used there. One of the former employees said that the small tools consisted of such tools as shovels, rakes, and hoes. He said that the NRHA vehicles that he had seen at Cedar Point had been the automobiles assigned to Mr. Cox and another NRHA official. He said that he had not seen any construction equipment at Cedar Point and that he had no knowledge that such equipment was used.

The agent of the corporation informed us that he had no knowledge of NRHA tools or vehicles being used at Cedar Point. The NRHA Chief Maintenance Engineer, however, confirmed that NRHA-owned small tools had been used at Cedar Point and that NRHA-owned automobiles had been at Cedar Point. The engineer said that he was the person within NRHA responsible for tools and that, although he had not specifically authorized the use of the tools at Cedar Point, he was aware of their being used. The engineer stated that one of the NRHA employees supervising the off-duty NRHA employees working at Cedar Point had carried these tools to the site and had returned them to NRHA. He said that no other NRHA equipment had been used at Cedar Point.

The engineer said that no NRHA-owned vehicles had been used to perform work at Cedar Point. He stated that Mr. Cox had been assigned an

NRHA-owned automobile for his use and that Mr. Cox had driven this automobile to Cedar Point on many occasions. The engineer said also that he had driven the NRHA automobile assigned to him to Cedar Point prior to 1964 but that he had not taken it to Cedar Point after that time. We verified that a NRHA-owned vehicle had been specifically assigned to Mr. Cox

Several of the NRHA employees who had worked at Cedar Point also told us that NRHA-owned small tools, such as shovels and rakes, had been used at Cedar Point. They all said, however, that they had no knowledge of NRHA-owned equipment and vehicles being used to perform work at Cedar Point.

Information obtained regarding the  
use of NRHA materials to construct  
the house at Cedar Point

The agent of the corporation informed us that the contractor that constructed the house had purchased the materials and that he did not know of any materials that had been obtained from NRHA that were used in the construction of the house owned by Mr. Cox. He said, however, that he had purchased some slate from NRHA that had been used to build a patio at the house. He stated also that he had not obtained any other materials from NRHA.

The NRHA Chief Maintenance Engineer confirmed that some NRHA slate had been sold to the corporation. He said that the slate had been salvaged from one of the NRHA demolition projects and was excess to NRHA needs. He said that, prior to this sale, salvaged slate had been given away or used as land fill. He stated that he had determined the amount that the corporation was charged for the slate on the basis of the average of quoted prices obtained from several slate companies.

The engineer informed us that the slate was the only material used at the site of Mr. Cox's house that had been obtained from NRHA. He said that he had arranged for some salvaged cobblestones to be taken to the site of the house but that he had returned them to NRHA when the planned use of the cobblestones became an issue in a Norfolk newspaper. He stated that the corporation would have paid for the cobblestones if they had been used.

The various other persons we contacted relative to the work at Cedar Point knew of no other material obtained from NRHA that had been used in the construction of the house owned by Mr. Cox or elsewhere at Cedar Point.

The contractor that constructed the house informed us that he had not obtained any materials from NRHA. His records showed that he had incurred costs for materials and did not show that materials had been obtained from NRHA. In addition, we examined the contractor's records for the types of material used in the construction of the house, which we had noted were

stocked by NRHA. The records substantiated that the contractor had purchased the items from commercial sources.

The NRHA accounting records showed the receipt of \$150 from the agent for the corporation for the slate. In addition, the NRHA Controller provided us with a reproduction of the agent's check for \$150. We noted that NRHA had billed the agent for the slate on April 11, 1969, approximately a month after the patio was installed.

The NRHA Controller said that salvaged material from demolished projects is considered surplus and is not carried on NRHA records. He indicated that the aforementioned salvaged slate and cobblestones were of this nature and had not been picked up on NRHA inventory records. He said that the NRHA Chief Maintenance Engineer was authorized to dispose of such surplus material from demolished projects.

Information obtained relative to  
the apartment at Haque Towers

The newspaper article stated that Mr. Cox had compelled

"NRHA workers to remodel his penthouse apartment at the Haque Tower (when he moved, Cox had NRHA Maintenance Superintendent [name deleted] to substantiate the value of the improvements for resale to the new tenant) "

The individual referred to as the Maintenance Superintendent in the article was the NRHA Chief Maintenance Engineer.

With the exception of one person, whom we could not locate, we contacted every person known to us who might have information regarding the use of NRHA employees to remodel Mr. Cox's apartment. Only one of these individuals indicated that NRHA employees might have remodeled the apartment on NRHA time. He said that he had no firsthand knowledge of the matter but that he had heard that some NRHA employees had worked on Mr. Cox's apartment during time that they were being paid by NRHA and that NRHA equipment had been used in the remodeling. He informed us, however, that he could not substantiate the information that he was giving us and that he did not know anyone who could provide us with information regarding this matter.

The NRHA Chief Maintenance Engineer informed us that NRHA employees had not remodeled Mr. Cox's apartment. He said that Mr. Cox had hired an interior decorating company to advise and assist him in remodeling his apartment. He stated that the apartment had been painted in connection with the remodeling and that Mr. Cox had hired an NRHA employee to paint the apartment during his off-duty hours. The engineer said that the individual who had painted the apartment was no longer employed at NRHA.

One other NRHA employee confirmed that a former NRHA employee had done some painting at Mr. Cox's apartment. He said that the former

employee had told him the painting had been done on his own time. He said also that the individual involved often had done such work on his own time. He added that he had worked with the former employee doing painting work after regular NRHA working hours but that he had not helped to paint Mr. Cox's apartment.

We were informed that the individual who had painted Mr. Cox's apartment had moved from the Norfolk area and that his present location was unknown.

In regard to the statement in the newspaper article that he had substantiated the value of improvements in Mr. Cox's apartment, the NRHA Chief Maintenance Engineer informed us that the article was apparently referring to a cabinet-type room divider. He said that Mr. Cox had a private contractor build a room divider for his apartment in connection with the remodeling. He said that, when Mr. Cox considered selling the room divider to a prospective tenant of the apartment, Mr. Cox had asked him to inform the prospective tenant of its cost. The engineer stated that he had knowledge of the cost of the room divider because of discussions with Mr. Cox and not because he had participated in its construction.

The engineer informed us that he had not substantiated for prospective tenants the cost of any other improvements in Mr. Cox's apartment.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D C 20410

OFFICE OF THE ASSISTANT SECRETARY  
FOR RENEWAL AND HOUSING ASSISTANCE

February 18, 1970

IN REPLY REFER TO

Mr. Max Hirschhorn  
Associate Director  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Hirschhorn:

Thank you for your letter of February 6 inviting my comment on the draft report of your investigation into certain statements relating to my activities as Executive Director of the Norfolk Redevelopment and Housing Authority prior to my appointment as Assistant Secretary with the Department of Housing and Urban Development. As you have requested, the following comments are entirely personal and do not in any way represent the views of the Department.

I am pleased to have this opportunity to comment, for I believe the Report clearly and conclusively confirms the fact that there has been no misuse of Federal funds and no impropriety in the use of labor, equipment or materials owned by the Norfolk Redevelopment and Housing Authority.

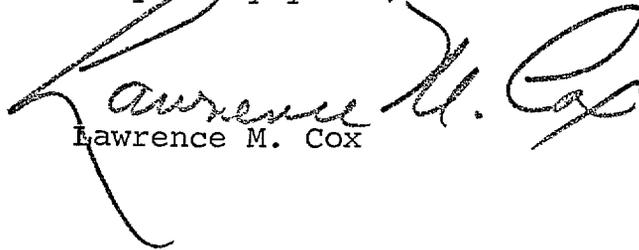
As the Report indicates, a large number of responsible individuals having first-hand knowledge in the matter were interviewed. All but two denied the allegations, and provided ample supporting evidence and documentation to support their assertions. Whereas the two unnamed individuals who were former employees and who made certain allegations were unable to substantiate their assertions, and even appeared unable to attest to first-hand knowledge concerning their allegations.

But as the statements of all the other individuals verify and as the available records support, the employees of NRHA who worked at Cedar Point did so of their own free will, on their own time, and were paid by the developer and not by NRHA.

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In summary, the Report reflects that a thorough and accurate investigation has been made of the reported allegations, and fully confirms my personal earnest conviction that the allegations are untrue and without foundation.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Lawrence M. Cox". The signature is written in dark ink and is positioned above the typed name. The letters are fluid and connected, with a prominent initial "L" and a large "C" at the end.

Lawrence M. Cox